

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7136

BILL NUMBER: HB 1531

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Fulton County Innkeepers' Tax.

FIRST AUTHOR: Rep. Gutwein

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill permits Fulton County to impose an innkeepers' tax of up to 6%. The bill provides for the distribution of the county innkeepers' tax revenue.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Penalty Provision:* Under the bill a member of the Fulton County Council that knowingly approves of a transfer of innkeeper's tax funds to an unqualified person would commit a Class D felony. A person using approved innkeeper's funds for an unapproved purpose would commit a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

Explanation of State Revenues: *Penalty Provision:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. However, any additional revenues would likely be small.

Explanation of Local Expenditures: The County Treasurer would be required to establish a convention and visitors fund. The Treasurer would administer the fund.

Penalty Provision: If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

Explanation of Local Revenues: *Summary-* Fulton County would be allowed to establish by ordinance an innkeeper's tax on lodging with the exception of campsites within a state or federal park/forest within the County. The innkeeper's tax could be imposed at any rate up to and including 6%. The impact of the bill on local revenues is indeterminable and would depend on the rate set by the Fulton County Council.

Background- Fulton County currently has adopted an innkeeper's tax under the uniform innkeeper's tax code (IC 6-9-18). The tax rate is currently 3%. Innkeeper's tax collections totaled \$37,687 during state FY 2006. The following table presents revenue estimates based on prior year collections. The estimates were generated by using the state Sales Tax growth rates from the December 14, 2006, state revenue forecast.

| | CY | Tax Rate = 3% | Tax Rate = 4% | Tax Rate = 5% | Tax Rate = 6% |
|---|------|---------------|---------------|---------------|---------------|
| Estimated Collections | 2007 | \$39,537 | \$52,716 | \$65,895 | \$79,074 |
| | 2008 | \$41,318 | \$55,090 | \$68,863 | \$82,636 |
| | 2009 | \$43,260 | \$57,680 | \$72,100 | \$86,519 |
| | | | | | |
| Less: Agent Collection Allowance 0.83% | 2007 | \$328 | \$438 | \$547 | \$656 |
| | 2008 | \$343 | \$457 | \$572 | \$686 |
| | 2009 | \$359 | \$479 | \$598 | \$718 |
| | | | | | |
| Less: Treasurer's Allowance 0.17% | 2007 | \$67 | \$90 | \$112 | \$134 |
| | 2008 | \$70 | \$94 | \$117 | \$140 |
| | 2009 | \$74 | \$98 | \$123 | \$147 |
| | | | | | |
| Collections Less Allowances | 2007 | \$39,142 | \$52,188 | \$65,236 | \$78,284 |
| | 2008 | \$40,905 | \$54,539 | \$68,174 | \$81,810 |
| | 2009 | \$42,827 | \$57,103 | \$71,379 | \$85,654 |

Note: Collections & allowances are rounded.

As depicted in the table, the bill would allow collection agents and the County Treasurer an allowance for the collection and processing of innkeeper's tax revenue. Any allowance not used by the Treasurer's Office would revert to the county general fund at the end of a state fiscal year.

Revenue from the tax would be used for the following purposes. Fifty percent of the revenue would go to the County Parks and Recreation Department, and 50% to the County Council for benefit of the citizens and their public institutions.

Penalty Provision: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

State Agencies Affected: Department of Correction.

Local Agencies Affected: Fulton County; trial courts, local law enforcement agencies.

Information Sources: Fulton County Treasurer, 574-233-7705.

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